

# Cook County Health and Hospitals System

Report to the Audit and Compliance Committee  
June 16, 2016





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Audit and Compliance Committee  
Cook County Health and Hospitals System  
Chicago, Illinois

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We are pleased to present this report related to our audit of the financial statements of Cook County Health and Hospitals System of Illinois (CCHHS) as of and for the year ended November 30, 2015. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for CCHHS's financial reporting process.

This report is intended solely for the information and use of the Audit and Compliance Committee and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to CCHHS.

*RSM US LLP*

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 9, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<p data-bbox="602 858 1438 890"><b>Preferability of Accounting Policies and Practices</b></p> <p data-bbox="602 890 1438 1010">Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p data-bbox="602 1043 1438 1075"><b>Adoption of, or Change in, Accounting Policies</b></p> <p data-bbox="602 1075 1438 1194">Management has the ultimate responsibility for the appropriateness of the accounting policies used by CCHHS. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year:</p> <ul data-bbox="651 1228 1438 1514" style="list-style-type: none"><li data-bbox="651 1228 1438 1318">• Governmental Accounting Standards Board (GASB) Statement No. 68, <i>Accounting and Financial Reporting for Pensions</i></li><li data-bbox="651 1352 1438 1413">• GASB Statement No. 69, <i>Government Combinations and Disposals of Government Operations</i></li><li data-bbox="651 1446 1438 1514">• GASB Statement No. 71, <i>Pension Transition for Contributions Made Subsequent to the Measurement Date</i></li></ul> <p data-bbox="602 1547 1438 1845">Additionally, in fiscal year 2015, management changed its accounting policy for recording self-insurance claims. Beginning in fiscal year 2015, self-insurance claims pertaining to CCHHS's operations are expected to be paid by CCHHS and liabilities for self-insurance claims have been allocated to CCHHS by the County. Management believes this change in policy is preferable because CCHHS is an enterprise fund of the County reporting using the accrual basis of accounting. Allocating self-insurance liabilities to the fund better measures the net position of CCHHS as well as the change in net position from year to year.</p>

Area	Comments
<b>Accounting Policies and Practices (Continued)</b>	<p>Management has disclosed the impact of the GASB 68 implementation and change in accounting policy in Note 19 to the financial statements.</p> <p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management’s Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	Audit adjustments proposed by us and recorded by CCHHS are shown in the attached Summary of Recorded Audit Adjustments.
<b>Uncorrected Misstatements</b>	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management’s judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communication Between Management and Our Firm</b>	A copy of the significant written communication between our firm and the management of CCHHS, the representation letter provided to us by management, is attached as Exhibit A.

## Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in CCHHS's November 30, 2015 financial statements.

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management's Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
<b>Allowance for Uncollectible Patient Accounts</b>	Accounts receivable are recorded at their estimated net realizable value.	<p>The allowance for uncollectible patient accounts is based on management's estimate of the collectability of identified receivables, based on the payor classification, as well as the aging of the patient accounts.</p> <p>Management determines the allowance for uncollectible patient accounts using allowance percentages based on historical collection experience and management's judgement, applied to an aging of accounts by payor classification. Allowance percentages are developed based on actual collection experience and management's understanding of changes in reimbursement.</p>	<p>We tested underlying information supporting these allowances including the year-end aging reports and collection experience.</p> <p>We also performed a hindsight test of the November 30, 2014 allowance for uncollectible accounts using subsequent collection experience, which indicated that the November 30, 2014 allowance was reasonable.</p> <p>Based on the testing performed, the November 30, 2015 allowance appears reasonable.</p>

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management's Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
<b>Third-Party Settlements Receivable and Payable</b>	<p>Net patient service revenue is reported at estimated realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payors are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.</p>	<p>The settlements due from/to third-party payors (primarily Medicare) are based on management's estimate of amounts due from/to Medicare and due to Blue Cross relating to cost report filings and the Blue Cross HMO and PPO agreements, as well as exposure to repayments associated with Recovery Audit Contractor (RAC) and other third-party payor audits.</p> <p>Management calculates third-party settlements receivable and payable based on estimated, filed and settled Medicare and Blue Cross cost reports. Management also relies on experience reporting data received from the Medicare fiscal intermediary and Blue Cross. The settlement accounts include provisions for audit adjustments and unforeseen issues that may arise from future audits.</p>	<p>With the assistance of an RSM reimbursement specialist, we tested management's third-party account roll-forward analysis and supporting schedules by performing analytical and substantive tests of these schedules and third-party account balances on a sample basis. In addition, we read correspondence received during the year from the Medicare fiscal intermediary. We also reviewed the Blue Cross managed care settlement and Uniform Payment Program (UPP) accounts. Based on the testing performed, the third-party settlement methodology reserves appear appropriate and reasonable.</p>
<b>Reserve for Tax Objection Suits</b>	<p>CCHHS records an allocation of the County's estimated liability for future refunds related to property tax objections.</p>	<p>The County assesses historical refund activity by refund type and levy year to determine a substantially complete life cycle of refunds for any given levy year. The term of the life cycle is then used to estimate future refunds for levy years in which refunds are still anticipated.</p>	<p>The County audit team reviewed the methodology used and the historical tax collection and refund activity and recalculated the estimate and found it to be reasonable.</p>

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management's Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
<b>Claims Payable – CountyCare</b>	CCHHS records an estimate of amounts payable to providers outside of CCHHS for services provided to CountyCare members. This estimate reflects the projected ultimate cost of services incurred but not paid, net of expected stop-loss insurance recoveries.	Management engaged Milliman, an independent actuarial firm, to assist management in estimating the CountyCare claims payable. The actuary used historical claims data, including claims paid between November 30, 2015 and February 29, 2016, to estimate the liability as of November 30, 2015.	We obtained the report prepared by the independent actuary and performed analytical and substantive tests of the underlying data used by the actuary in its valuation. With the assistance of an RSM actuarial specialist, we assessed the reasonableness of actuarial assumptions and methods used.
<b>Reserve for Repayment to State of Illinois Under Demonstration Project</b>	CCHHS provides an accrual for estimated amounts due the State of Illinois should CCHHS receive reimbursement in excess of costs of the CountyCare program, as defined, during the period covered by the demonstration project.	Management estimates the reserve by computing an estimate of the Per Member Per Month (PMPM) amounts expended during the reporting period and comparing this estimate to the amount of PMPM reimbursement received. The excess of PMPM reimbursement received over PMPM cost is multiplied by the member months recognized for the period covered by the demonstration project to estimate the repayment obligation.	We tested the schedules and underlying data used to compute the estimate.



<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Accrued Pension Liability</b>	<p>CCHHS accounts for the obligations relating to the County's defined benefit pension plan in accordance with GASB Statement Nos. 68 and 71. The obligation recorded in CCHHS's fiscal year 2015 financial statements was measured as of December 31, 2014. The County discounts its pension obligation. The discount rate used was 4.50 percent as of December 31, 2014.</p>	<p>County management engaged Buck Consultants (Buck), an independent actuarial firm, to assist management in estimating the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense.</p> <p>Buck uses various information and assumptions, including salary history, years of future service, and mortality to estimate the pension obligation. The amounts are allocated to CCHHS based on covered payroll during the measurement period.</p>	<p>The County audit team obtained the actuarial report prepared by Buck, as well as a copy of the employee census data used in its valuation. The County audit team performed analytical and substantive tests of the covered payroll data and underlying census data.</p> <p>With the assistance of an RSM actuarial specialist, we reviewed the methodologies and assumptions used by Buck.</p> <p>Based on the testing performed, we concluded that the accrued pension liability is reasonable.</p>
<b>Self-Insured Liabilities</b>	<p>CCHHS records an allocation of the County's estimate of the probable loss for workers' compensation, medical malpractice, liability and other claims. The accrued liability represents an estimate of the eventual loss on claims including claims incurred but not yet reported (IBNR).</p>	<p>County management engaged Aon, an independent actuarial firm, to assist management in estimating the self-insured liabilities.</p> <p>The County's risk management and legal departments provide details of open cases, reserve estimates, claims payment activity and other information to the actuary. This data is used by the actuary to determine the probable liabilities based on historical trends and other loss factor data.</p>	<p>The County audit team obtained the actuary report directly from Aon. The County audit team tested certain source data provided to Aon to the County's books and records. With the assistance of an RSM actuarial specialist, we reviewed the methods and assumptions used by Aon. We concluded the estimates were reasonable.</p>

# Summary of Recorded Audit Adjustments

Description	Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenses
To partially adjust overstated accrual liability	\$ -	\$ (2,000,000)	\$ -	\$ -	\$ (2,000,000)
	<u>\$ -</u>	<u>\$ (2,000,000)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (2,000,000)</u>
Effect on change in net position			2,000,000		
Effect on ending net position			<u>\$ 2,000,000</u>		

## Summary of Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position, results of operations, cash flows and related financial statement disclosures. Following is a summary of those differences.

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
Reversed opening net position misstatements	\$ -	\$ -	\$ -	\$ 2,495,106	\$ -
Non-reversed opening net position misstatements	-	(4,780,000)	-	-	-
<b>Current-year passed adjustments</b>					
Unrecorded self-insurance IBNR	-	1,200,000	-	-	1,200,000
Understatement of Provident access payment revenue	9,500,000	4,750,000	-	4,750,000	-
Understatement of CountyCare claims payable	-	1,750,000	-	-	1,750,000
	<u>\$ 9,500,000</u>	<u>\$ 2,920,000</u>		<u>\$ 7,245,106</u>	<u>\$ 2,950,000</u>
Effect on change in net position			4,295,106		
Effect on ending net position			<u>\$ 4,295,106</u>		

**Exhibit A—Significant Written Communication Between Management and Our Firm**

# COOK COUNTY HEALTH & HOSPITALS SYSTEM

**Toni Preckwinkle**  
President

Cook County Board of Commissioners

**John Jay Shannon, MD**  
Chief Executive Officer

Cook County Health & Hospitals System



COOK COUNTY HEALTH  
& HOSPITALS SYSTEM  
**CCHHS**

**Cook County Health & Hospitals System  
Board Members**

**M. Hill Hammock • Chairman**  
**Commissioner Jerry Butler • Vice Chairman**

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Ada Mary Gugenheim

Emilie N. Junge

Wayne M. Lerner, DPH, FACHE

Mary B. Richardson-Lowry

Carmen Velasquez

Dorene P. Wiese, EdD

May 31, 2016

RSM US LLP

One South Wacker Drive, Suite 800

Chicago, IL 60606

This representation letter is provided in connection with your audit of the basic financial statements of Cook County Health and Hospitals System of Illinois (CCHHS), an enterprise fund of Cook County, Illinois, as of and for the year ended November 30, 2015, for the purpose of expressing an opinion on whether the basic financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of May 31, 2016:

## *Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 9, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with Cook County, Illinois (the "County"), the primary government having accountability for CCHHS; other organizations for which the nature and significance of their relationship with CCHHS are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete; and interfund transactions, including interfund accounts and

advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the basic financial statements:
  - a. Net positions and fund balance classifications.
  - b. All leases and material amounts of rental obligations under long-term leases.
  - c. All significant estimates and material concentrations known to management which are required to be disclosed.
  - d. Risk financing activities.
  - e. The effect on the basic financial statements of Governmental Accounting Standards Board (GASB) Statements No. 72, 75, 76, 79 and 80 which have been issued, but which we have not yet adopted.
  - f. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - g. Pension obligations, post-retirement benefits other than pensions and union contract retroactive pay agreements attributable to employee services rendered through November 30, 2015.
  - h. Disclosures related to third-party payer agreements and settlements.
  - i. Disclosures related to professional liability insurance coverage.
  - j. Disclosures related to self-insured risks.
  - k. Amounts of patient charity care and costs of services rendered to the community for a reduced or no fee based upon community need or the inability to pay for the services.
  - l. The nature of and amounts related to the Illinois Medicaid Provider Assessment and Illinois Medicaid Interagency Agreement programs.
  - m. The nature of and amounts related to the CountyCare program.
  - n. The nature of and amounts related to the Provident Hospital Access payments program.
9. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
10. We agree with the findings of specialists in evaluating the County's pension liabilities, OPEB liabilities and self-insured liabilities, and CCHHS's allocations of such liabilities, and we have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the basic financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.



11. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the *Contingencies* Topic of the FASB Accounting Standards Codification and/or GASB Statement No. 10.
12. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
13. Relating to CountyCare claims payable, management believes that the claims payable liability is adequate to cover the claims incurred but not paid as of November 30, 2015. However, because of the many variables that can affect the amount of claims that are incurred and the timing of when those claims are reported, and because CountyCare is a relatively new program for which CCHHS has relatively limited claims experience, it is possible that actual claims incurred but not paid could be more or less than the estimated liability included in the basic financial statements.
14. Relating to the change in fiscal year 2015 in CCHHS's accounting policy for self-insurance claims, we believe the new policy is preferable as it more accurately reflects the true costs of operating CCHHS and the amount of County subsidies necessary to provide these services.
15. We have informed you of all uncorrected misstatements.

As of and for the year ended November 30, 2015, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

As of and for the year ended November 30, 2015

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
<b>Current year passed adjustments</b>					
Overstatement of retro-accrual liability	\$ -	\$ (4,780,000)	\$ -	\$ -	\$ (4,780,000)
Unrecorded self-insurance IBNR	-	1,200,000	-	-	1,200,000
Understatement of Provident access payment revenue	9,500,000	4,750,000	-	4,750,000	-
Understatement of CountyCare claims payable	-	1,750,000	-	-	1,750,000
	<u>\$ 9,500,000</u>	<u>\$ 2,920,000</u>		<u>\$ 4,750,000</u>	<u>\$ (1,830,000)</u>
Effect on change in net position			6,580,000		
Effect on ending net position			<u>\$ 6,580,000</u>		

## Information Provided

16. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the CCHHS board of directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - e. Contracts with all significant third-party payers or other providers.
  - f. Reports of peer review organizations, fiscal intermediaries, third-party payers, and other regulatory examinations that have been completed in the past year and we have informed you of all such examinations that are currently in process. We are not aware of noncompliance that should be considered for disclosure or as a basis for recording a loss contingency.
17. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.
18. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.
19. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
20. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators or others.
21. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
22. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
23. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
24. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the CCHHS's ability to record, process, summarize, and report financial data.
25. We have informed you of all communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.



26. Management of CCHHS believes CCHHS will continue as a going concern.
27. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

### *Supplementary Information*

28. With respect to required supplementary information (Management's Discussion and Analysis, the Schedule of Funding Progress, the Schedule of CCHHS's Proportionate Share of the Net Pension Liability, and the Schedule of CCHHS's Contributions) presented as required by GASB to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
29. We are responsible for making the accounting estimates included in the basic financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
  - a. To reduce receivables to their estimated net collectable amounts.
  - b. For estimated adjustments to revenue, such as denied claims, changes to diagnosis-related group (DRG) assignments, or other estimated retroactive adjustments by third-party payers.
  - c. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
  - d. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through November 30, 2015, and/or for expected retroactive insurance premium adjustments applicable to periods through November 30, 2015.
  - e. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through November 30, 2015.
  - f. For obligations related to third-party payer contracts, including risk sharing and contractual settlements.
  - g. For audit and other adjustments by intermediaries, third-party payers, or other regulatory agencies.
  - h. For estimates regarding revenue, accounts receivable, claims expense, claims liability and reserve for possible return of funds related to CountyCare program.
  - i. For medical malpractice obligations expected to be incurred with respect to services provided through November 30, 2015.

30. There are no:

- a. Material transactions that have not been properly recorded in the accounting records underlying the basic financial statements.
- b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- c. Violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid AntiKickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the basic financial statements.
- d. Communications, whether oral or written, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, including those related to the Medicare and Medicaid antifraud and abuse statutes, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the basic financial statements.
- e. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification and/or GASB Statement No.10.
- f. Line of credit or similar arrangements.
- g. Agreements to repurchase assets previously sold.
- h. Security agreements in effect under the Uniform Commercial Code.
- i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
- j. Contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
- k. Liabilities which are subordinated in any way to any other actual or possible liabilities.
- l. Environmental clean-up obligations.
- m. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
- n. Guarantees, whether written or oral, under which CCHHS is contingently liable.
- o. Obligations related to providing future services under prepaid health care contracts.
- p. Long-lived assets, including intangibles, which are impaired or to be disposed of.
- q. Derivative financial instruments.
- r. Special or extraordinary items.
- s. Materially impaired capital assets.



31. Billings to third-party payers comply in all respects with applicable coding principles, laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and only reflect charges for goods and services that were medically necessary, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly rendered.
32. With respect to cost reports:
- a. We have filed all required Medicare, Medicaid, and similar reports.
  - b. We are responsible for the accuracy and propriety of all cost reports filed.
  - c. All costs reflected on such reports are appropriate, allowable under applicable reimbursement rules and regulations, patient-related, and properly allocated to the applicable payers.
  - d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
  - e. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
  - f. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based upon historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.
33. We have complied with all aspects of contractual agreement and grants that would have a material effect on the basic financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are subject to the requirements of the Single Audit Act and *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200, because we have received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit. The audit, in connection with the Single Audit Act, is being performed for the County by another independent accounting firm.
34. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

### *Compliance Considerations*

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:

35. We are responsible for:
- a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the County
  - b. Establishing and maintaining effective internal control over financial reporting.

36. We have identified and disclosed to you:

- a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
- b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.

37. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of contracts or grant agreements, or abuse that has been reported.

38. We have a process to track the status of audit findings and recommendations.

39. We have identified for you previous audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.

40. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.

Dorothy Loving, who has sufficient skills, knowledge, and experience, has supervised, reviewed, and approved, and we take full responsibility for, the basic financial statements and related footnotes, and acknowledge the auditor's role in the preparation of this information.

Cook County Health and Hospitals System



Dr. John Jay Sharron, Chief Executive Officer



Douglas Ewell, Deputy CEO of Finance and Strategy



Ekerete Akpan, Chief Financial Officer



Dorothy Loving, Executive Director of Finance